



EL DORADO CHARTER SELPA **Thursday, November 10, 2016**

Meeting to be held via Adobe Connect
on Thursday, November 10, 2016 at 10:00 a.m.

Registration for the Adobe Connect teleconference
will be available at least two days prior to the meeting
and the link will be sent out electronically.

AGENDA – EXECUTIVE COMMITTEE MEETING

Charter SELPA:

David M. Toston, Associate Superintendent
Ginesa Quann, Charter SELPA Director
Robert Steponovich, SELPA Business Services Director

Vicki L. Barber, Retired EDCOE Supt. of Schools
Francie Heim, EDCOE/Charter SELPA Consultant
Kathleen Hall, Administrative Assistant

Executive Committee Members:

Mary Searcy Bixby, Altus Schools
Gia Truong, Envision Schools
Cindy Petersen, Gateway Community Charters
Pat Hill, Learn4Life
Genevieve Thomas, Rocketship Education
Tim Wolf, King-Chavez Charter Schools
Debi Gooding, The Learning Center
Jean Hatch, Redding School of the Arts
Jonathan Dean, The O'Farrell Charter School
J.J. Lewis, Academy of Art and Sciences
Patricia Dougherty, Academy of Personalized Learning

Lynne Alipio, Altus Schools
Paula DeGroat, Lifeline Education
Paul Keefer, Pacific Charter Institute
Preston Smith, Rocketship Education
David Sciaretta, Einstein Academies
Melissa Mora, ACE Charter School
Karin Marsolais, Preuss
Dawn Evenson, iLead Schools
Patti Wilczek, Community Learning Center
Julie Mattoon, KIPP Bay Area Schools

1. Educationally Related Mental Health Services (ERMHS) Budget Update

CEO Executive Committee is provided regular updates on the approved 2016-17 ERMHS budget. Attachment 1 provides an update of final 2015-16 ERMHS expenditures and an update on 2016-17 budget sufficiency.

2. Legal Risk Pool Budget Update

CEO Executive Committee is provided an annual update of funds in the Legal Risk Pool. Attachment 2 provides detailed information on the source of funds transferred to the pool in 2015-16 and 2016-17.

3. 2015-16 End of Year Close/Budget Update

The books have been closed for 2015-16 and CEO Executive Committee will be briefed on the balances in the various risk pools.

Attachment 3 provides this budget update and covers the following information items:

- a. Set Aside Risk Pool
- b. Rate Smoothing Pool
- c. Low Incidence Pool
- d. 2016-17 State and Federal Funding Estimates

4. **SELPA Leadership Report**

5. **Next Meeting Date**

The next regularly scheduled meeting of the Charter SELPA Executive Committee will take place Thursday, March 9th, 2017 at 10:00 a.m. via Adobe Connect teleconferencing.



2015-16 ERMHS End of Year Actuals and 2016-17 Budget Update

ISSUE

Executive Committee is provided an update of final 2015-16 ERMHS expenditures and a review of 2016-17 budget parameters.

BACKGROUND

Charter SELPA has implemented strong systems to monitor Educationally Related Mental Health Services (ERMHS) funding to ensure appropriate expenditure of funds and a predictable revenue stream for our members.

ERMHS funding guidelines are identified in the Charter SELPA Allocation Plan. Below is a summary of 2016-17 reimbursement parameters for charters members:

The Level 2 formula provides 80% of the lesser of:

- a) \$3,300 per eligible ERMHS SEIS count based on the December 1 count; or
- b) \$250 per current year P-2 ADA; or
- c) January 2017 Budget request (updated with final expenditures July 2017)

The lesser amount of the three becomes the maximum budget request.

Level 3 Site Based Structured Therapeutic Program (80% funded)

Costs that may be claimed are restricted to services that are required to be performed by certificated staff. Staff may be contracted through an NPA or hired by the charter. Books and supplies may be claimed. Eligible students must meet ED eligibility criteria, and be identified in SEIS with ED as primary or secondary disability. A budget request for Level 3 site based structured therapeutic program reimbursement must be filed with the Charter SELPA by November 1.

Level 3 NPS ERMHS (90% funded)

Costs that may be claimed are the ERMHS for a student in an NPS placement. The educational costs are the responsibility of the charter member and are not reimbursed. The educational costs, however, must be reported and must be, at a minimum, equal to the charter's LCFF per ADA funding amount. Eligible students must meet ED eligibility criteria, and be identified in SEIS with ED as primary or secondary disability.

Level 3 NPS Residential Room and Board (100% funded)

Costs that may be claimed are the residential room and board costs related to a student in an NPS placement. The educational costs are the responsibility of the charter member and are not reimbursed. ERMHS costs for a student may be claimed, but a separate reimbursement form is required (Level 3 NPS ERMHS). Eligible students must meet ED eligibility criteria, and be identified in SEIS with ED as primary or secondary disability.

**2015-16 ERMHS End of Year Actuals and 2016-17 Budget Update**

There are two primary areas of budget variability:

Level 2 Funding

The budget of \$8.1M is based on an estimated December 1st service count of 4,000 and assumes about 75% participation. The November 1st service count is 3,616. It is reasonable to assume that the December count will be within budget parameters. The third element of the Level 2 funding determination is each member's budget request that will be filed in mid-January 2017. The budget is sufficient to provide a Level 2 contingency amount of \$750K beyond initial budgeted amount (line 5). No shortfall is anticipated.

Level 3 Funding

Reimbursement claims filed as of November 1, suggest that costs will increase in 2016-17 over the \$1.4M spent in 2015-16. The Level 3 budget of \$3M is sufficient to provide a contingency amount of \$360K above initial budgeted amount (line 10), and no shortfall is expected.

A summary of 2015-16 actuals and the current status of the CEO Council approved 2016-17 budget appears below. The ending balance each year is to be managed in the 5% to 10% of revenue range, and is currently estimated to be 5% (line 15).

| | Charter SELPA ERMHS | 2015-16 End of Year Actuals | 2016-17 Budget September | 2016-17 Budget November |
|----|-----------------------------------|--------------------------------|-----------------------------|----------------------------|
| 1 | Income | | | |
| 2 | State & Federal Income | 8,491,451 | 9,720,000 | 9,952,000 |
| 3 | Expenditures | | | |
| 4 | Level 2 (includes transportation) | 5,358,151 | 8,100,000 | 8,100,000 |
| 5 | Level 2 Contingency | | | 750,000 |
| 6 | Level 3 | 1,430,839 | 3,000,000 | |
| 7 | Site Based Therapeutic | | | 430,000 |
| 8 | NPS ERMHS | | | 1,230,000 |
| 9 | Residential | | | 980,000 |
| 10 | Level 3 Contingency | | | 360,000 |
| 11 | Indirect | 254,744 | 300,000 | 300,000 |
| 12 | Total Expenditures | 7,043,734 | 11,400,000 | 12,150,000 |
| 13 | Income less Expenditures | 1,447,717 | (1,680,000) | (2,198,000) |
| 14 | Beginning Balance | 1,259,373 | 2,707,090 | 2,707,090 |
| 15 | Ending Balance | 2,707,090 | 1,027,090 | 509,090 |

RECOMMENDATION:

No action required. This is an information item only.



Legal Risk Pool Update

ISSUE

Executive Committee is provided an annual update of funds in the Legal Risk Pool.

BACKGROUND

Funding for the Legal Risk Pool comes from three sources:

1. Set-aside funds from Charter SELPA partners who leave the SELPA prior to completion of four years. 2015-16 was the last year for set-aside funds. Starting in 2016-17, we have transitioned to a shared set-aside risk pool funded with a one-time member contribution.
2. Modified funding from Charter SELPA partners who are in the process of building programs, but are not yet able to fully expend the allocation of state dollars (greater than 25% unspent).
Allocation Plan Language (September 2012 CEO Council approval).
*When an LEA has unspent funds **greater than 25%** of their special education allocation (allocation as adjusted at year end close by September 30):*
 - *Charters with unspent funds greater than 25% are automatically not eligible for federal funds in the following year.*
 - *Charters with unspent funds greater than 25% will have state funding reduced to the level of prior year expenditures; however, the funding will be held in reserve for allocation to the charter if need is demonstrated by year end expenditure reporting.*
 - *If need is not demonstrated, the funds will be allocated the next year to the Charter SELPA Risk Pool.*
3. Funding from Charter SELPA partners who close operations and fail to submit documentation that would allow for release of funds being held.

2015-16 Set-Aside

There have been some charters that have closed or left the Charter SELPA in 2015-16 prior to becoming eligible to receive a return of their set-aside. The amount transferred to the 2016-17 Risk Pool as a result is **\$55K** (set-aside funds and interest).

2015-16 Funding Modification

Twelve charters were subject to possible income modification in 2015-16 as a result of 2014-15 unspent funds. Five of them declined in enrollment, so current year funding was less than the modified income. Two charters increased in capacity and fully expended revenues, so no funds were modified.

Five charters were not able to fully expend prior year carryover and current year income, resulting in funding modification of **\$167K** transferred to the Legal Risk Pool in 2016-17.



Legal Risk Pool Update

At the close of 2015-16, 26 charters had unspent funds. Eleven of the 26 charters had unspent funds greater than 25%. Per Charter SELPA policy, they are not eligible for federal funds in 2016-17. The Charter SELPA team will do a follow up visit to ensure students are being appropriately served, identify any issues of capacity, and determine how the SELPA can best support the charter.

Multiple charters with unspent funds closed at the end of 2015-16. We expect to see this scenario repeated in the future. At the March Executive Committee meeting, we will bring recommendations on possible changes to existing policies related to unspent funds, cash flow, and charter closures.

Funds Held from Charter Partners Closing Without Documentation

Rowland Heights and FAME closed operations as of June 30, 2015. \$10,373 was the balance closed to the Legal Risk Pool in 2015-16 as a result of final income and expenditures.

Summary of 2015-16 end of year financial report and 2016-17 budget:

| | | 2013-14 | 2014-15 | 2015-16 | 2016-17 Budget |
|----|---------------------------------|---------|---------|---------|----------------|
| 1 | Income | | | | |
| 2 | Closed Charters Set-Aside | 84,710 | | 6,426 | 55,092 |
| 3 | Modified Funding | 510,608 | 291,840 | 104,613 | 167,776 |
| 4 | Closed Charters/Funds Held | 47,804 | 4,734 | 10,373 | |
| 5 | EDCOE Contribution | 100,000 | | | |
| 6 | Total Income | 743,122 | 296,574 | 121,412 | 222,868 |
| 7 | Expenditures | | | | |
| 8 | Legal Risk Pool Claims | 81,704 | 79,976 | 44,121 | 100,000 |
| 9 | ERMHS Shortfall | 600,000 | | | |
| 10 | Transfer to Set-Aside Risk Pool | | | | 200,000 |
| 11 | Total Expenditures | 681,704 | 79,976 | 44,121 | 300,000 |
| 12 | Income less Expenditures | 61,418 | 216,598 | 77,291 | (77,132) |
| 13 | Beginning Balance | | 61,418 | 278,016 | 355,307 |
| 14 | Ending Balance | 61,418 | 278,016 | 355,307 | 278,175 |

RECOMMENDATION:

This report is provided to the Executive Committee as an information item. No action is required.

2015-16 END OF YEAR CLOSE/BUDGET UPDATE**ISSUE**

The books have been closed for 2015-16 and the Executive Committee will be briefed on the balances in the various pools.

BACKGROUND

This budget update covers the following information items:

- a) Set-Aside Risk Pool
- b) Rate Smoothing Pool
- c) Low Incidence Pool
- d) 2016-17 State and Federal Funding Estimates

2016-17 Set-Aside Risk Pool

Beginning in 2016-17, the member owned Set-Aside Risk Pool was closed. A new shared Risk Pool was established by CEO Council action, with a one time contribution of \$2.50 per PY ADA for 2016-17 members continuing from the prior year, and a \$5 per ADA one time contribution for new charters starting in 2016-17.

All previous set-aside amounts, less \$2.50 per ADA, were returned to current members with any interest earned. Any set-asides from charters closing/leaving the SELPA and not vested were transferred to the Legal Risk Pool (\$55K).

| | Charter SELPA Set-Aside Pool Closed 2016-17 to -0- | 2014-15 | 2015-16 | 2016-17 Close Fund | 2016-17 Budget New Set-Aside Risk Pool |
|----|--|---------------|----------------|-----------------------|--|
| 1 | Income | | | | |
| 2 | Contributions | 64,560 | 227,255 | | |
| 3 | Contributions from 2015-16 Charters \$2.50 per PY P-2 ADA (one-time) | | | | 271,780 |
| 4 | Contributions from new charters \$5 per ADA (one-time) | | | | 82,777 |
| 5 | Interest | 8,320 | 11,622 | | |
| 6 | One-time transfer from Legal Risk Pool | | | | 200,000 |
| 7 | Total Income | 72,880 | 238,877 | - | 554,557 |
| 8 | Expenditures | | | | |
| 9 | Return to charters (vested) | | 8,655 | | |
| 10 | Return to 2015-16 Charters (close out pool) | | | 1,105,649 | |
| 11 | Transfer to Legal Risk Pool for set-asides not vested | | 6,426 | 55,092 | |
| 12 | Total Expenditures | - | 15,081 | 1,160,741 | - |
| 13 | Income less Expenditures | 72,880 | 223,796 | (1,160,741) | 554,557 |
| 14 | Beginning Balance | 864,065 | 936,945 | 1,160,741 | - |
| 15 | Ending Balance | 936,945 | 1,160,741 | - | 554,557 |

2015-16 END OF YEAR CLOSE/BUDGET UPDATE

Rate Smoothing Pool

\$1.168M was received in 2015-16 for 2014-15 deficit restoration. \$250K was used to provide \$505/ADA state funding to members in 2015-16 (\$503 was the state deficated funding level as of June 2016). In 2016-17, when the 2015-16 special education deficit is recertified, we anticipate some restoration of at least \$250K or more.

In 2016-17, charters were advised to budget \$503/ADA in state funding. A decision on whether the rate can be increased to \$505 will be made in March 2017 based on 2015-16 deficit certifications and 2016-17 preliminary deficit projections. CEO Council will take action in May 2017 to determine current/future uses of funds in the Rate Smoothing Pool.

| | Charter SELPA Rate Smoothing Pool | 2015-16 | 2016-17 Budget |
|----|--|------------------|----------------|
| 1 | Income | | |
| 2 | 2014-15 deficit restoration | 1,168,284 | |
| 3 | 2015-16 estimated deficit restoration | | 250,000 |
| 4 | Total Income | 1,168,284 | 250,000 |
| 5 | Expenditures | | |
| 6 | 2015-16 rate guarantee \$505 | 250,638 | |
| 7 | Total Expenditures | 250,638 | - |
| 8 | Income less Expenditures | 917,646 | 250,000 |
| 9 | Beginning Balance | - | 917,646 |
| 10 | Ending Balance | 917,646 | 1,167,646 |

Low Incidence Pool

A one time grant of \$31,810 was used to balance the Low Incidence Pool in 2015-16 and meet the commitment to fund up to \$3,000 for eligible reimbursement requests. As of October 2016, there is still a claim for \$18K outstanding and waiting for documentation. Payment is spread over two years, because of available funds. If the charter does not file the appropriate documentation by December 1, these funds will become available for 2016-17 expenditure reimbursements. Funding for 2016-17 starts at \$433 per eligible claim and may be increased up to \$3,000 by May 2017 if funds are available.

| | Charter SELPA Low Incidence | 2015-16 | 2016-17 Budget |
|----|-------------------------------------|----------------|----------------|
| 1 | Income | | |
| 2 | State Funding | 97,381 | 117,722 |
| 3 | Other State Grant (one-time) | 31,810 | |
| 4 | Total Income | 129,191 | 117,722 |
| 5 | Expenditures | | |
| 6 | Reimbursement for eligible requests | 112,933 | 115,759 |
| 7 | Pending Claims | 16,000 | 2,000 |
| 8 | Total Expenditures | 128,933 | 117,759 |
| 9 | Income less Expenditures | 258 | (37) |
| 10 | Beginning Balance | (221) | 37 |
| 11 | Ending Balance | 37 | - |

2016-17 Funding Estimates

State funding of \$503 (before administrative fee) possible update March 2016.
 Federal funding \$125 (before administrative fee) to be updated January 2017.

RECOMMENDATION

No action is required. This is an information item.